INVESTORS · PRIMER

Free from Brian Redfern

1031 Exchange Primer

The basics of deferring capital gains when you sell an investment property and buy another, and the deadlines you can't miss.

BR

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01 The key dates

1. **Before you close: hire a qualified intermediary**
   The exchange has to be set up before the sale closes. Proceeds go to the intermediary, never to you.
2. **Day 45: identify replacement property**
   In writing, signed, and delivered to the intermediary by midnight of day 45. Weekends and holidays count.
3. **Day 180: close on the replacement**
   Or your tax return due date for that year, with extensions, if that comes first. The 45 days count inside the 180.

02 How many properties you can name

- **Three-property rule**
  Up to three properties of any value
- **200% rule**
  Any number of properties whose total value is no more than twice what you sold
- **95% rule**
  Any number, if you end up buying at least 95% of the total value you identified

03 The basics

- **Real property only**
  Since 2018, only real property held for investment or business use qualifies; your home and fix-and-flip inventory don't
- **Like-kind is broad**
  A rental house can be exchanged for land, a duplex or a commercial building, if both are held for investment or business
- **Same taxpayer**
  The name that sells should be the name that buys
- **Reinvest it all**
  To defer all the gain, buy equal or greater value and reinvest all net proceeds; cash or debt reduction you keep (“boot”) is taxable
- **Report it**
  The exchange is reported to the IRS on Form 8824 with your tax return

04 Questions for your CPA

- [ ] **Does my property and plan qualify?**
- [ ] **How much gain and depreciation recapture am I deferring?**
- [ ] **Which qualified intermediary do you recommend?**
- [ ] **What happens if I can't close on a replacement in time?**
- [ ] **Are there related-party issues with the buyer or seller?**

Thinking about an exchange?

Brian can walk you through it. No pressure, no obligation.

Call or text Brian: 619-403-0390
Book a call: https://redfernhomelife.com/contact
This guide online: https://redfernhomelife.com/guides/1031-primer

Sources

- Internal Revenue Code § 1031 and Treasury Regulation § 1.1031(k)-1 (identification and exchange periods)

- IRS Form 8824 and instructions, Like-Kind Exchanges (irs.gov)

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